

# APPENDIX VIII WATER SUPPLY TABLE OF CONTENTS

Subject	Paragraph	Page
Background.....	VIII-1.....	VIII-1
Purpose.....	VIII-2.....	VIII-1
Goals and Objectives.....	VIII-3.....	VIII-1
Performance Measures.....	VIII-4.....	VIII-1
Budget Increments for FY 09 Budget Development.....	VIII-5.....	VIII-2
Rating and Ranking Criteria for FY 09 Budget Development.....	VIII-6.....	VIII-3
Civil Works Five Year Development Plan .....	VIII-7.....	VIII-3
Special Considerations or Special Rating Criteria.....	VIII-8.....	VIII-4
Water Supply Program Budget Ranking Criteria Matrix.....	VIII-9.....	VIII-4

## **LIST OF TABLES**

Water Supply Objectives and Performance Measures.....	VIII-1.....	VIII-1
Budget Ranking Criteria Application Matrix.....	VIII-2...	Spreadsheet

(This page intentionally left blank)

## APPENDIX VIII WATER SUPPLY

**VIII-1. Background.** The Corps of Engineers has provided water supply storage space in its multi-purpose reservoirs for many years. Based on current data, approximately 9.9 million acre feet of municipal and industrial (M&I) water supply storage space are included in 137 reservoir projects in 26 states plus Puerto Rico. Approximately 95% of this storage is under contract for present or future use. Although the primary responsibility for developing water supplies for domestic, municipal, industrial and other purposes rests with State and local interests, M&I storage space may be recommended for inclusion in any Corps reservoir pursuant to the Water Supply Act of 1958. Studies associated with reallocation of water for M&I and/or environmental purposes; although not considered low priority, must compete with all activities in a constrained budget environment.

**VIII-2. Purpose.** As one of the nation's largest water management agencies, the U.S. Army Corps of Engineers plays an important role in ensuring that Americans have enough water to meet their needs. The Water Supply program currently provides some 3.8 billion gallons of water per day to allow State and local interests to supply cost-effective water to homes, businesses and farms nationwide.

**VIII-3. Goals and Objectives.** Table VIII-1 displays the Water Supply Program Objectives and Performance Measures published in the March 2004 Civil Works Strategic Plan. The CW Strategic Plan was developed with an explicit assumption of an unconstrained resource environment to encourage an unconstrained assessment of the nation's water resources needs and potential Corps response. Preparation of the FY 09 budget request requires the recognition of a constrained budget environment and the ongoing effort to evolve better budget linked performance measures.

**TABLE VIII-1  
Water Supply Objectives and Performance Measures**

<u>Program Objectives</u>	<u>Performance Measures</u>
In partnership with non-Federal water management plans and consistent with law and policy, manage Corps reservoirs to provide water supply storage in a cost efficient and environmentally responsible manner.	<p>Acre-feet of storage under contract versus acre-feet available.</p> <p>Percentage of costs covered by revenues returned to Treasury.</p>

**VIII-4. Performance Measures.**

a. The Corps Water Supply program is well established and valued, however our capability to continue to supply storage is dependent on our ability to demonstrate cost-efficiency of water storage and need for additional storage space for water supply purposes. OMB suggested the performance measures contained in Table VIII-1 as part of the deliberations on the Corps Strategic Plan. Both measures reflect on the ability of the Water Supply program to return revenues to the Treasury. In that regard a secondary program objective will be to increase revenues to the Treasury through the reallocation of storage space from other authorized purposes and the timely collection of payments from existing water supply contracts. The Corps water supply program is very cost effective. Our 2006 data show an annual collection of \$13.0 million in principal and interest (P&I) payments and an additional collection of \$10.0 million for O&M expenditures. The cost to the districts to collect this \$23.0 million was \$1.7 million. All collections are returned to the U.S. Treasury as miscellaneous receipts.

b. In the above table the term "acre-feet of storage under contract" refers to both present and future use contracts and "acre-feet available" is defined as acre-feet of storage authorized for M&I water supply to include both originally authorized storage space as well as that storage space reallocated for which a water supply agreement has been signed. For the performance measure "percentage of costs covered by revenues returned to Treasury", a proxy will be utilized until better reporting data are available. This proxy is a comparison of the costs assigned to present use storage space compared to the costs assigned to the total acre-feet of storage space available as defined above. In the development of this data, "present use" includes that storage space for which all capital costs have been recovered in full as well as that storage for which capital costs are currently being repaid.

**VIII-5. Budget Increments for FY 09 Budget Development.** In order to achieve the above objectives, we are establishing budget increments, to assure uniformity across the country in building annual budgets from the same point. For water supply, budget increments will be established by funding category. See Definition/Glossary section for detailed and additional budget definitions.

a. **Investigations (I):** (Water Supply Studies funded under the Investigation Budget)

(1) Increment 1. This increment will include only the minimum continuing activities and the total request is limited to the budget amount for PY -1, by study. Do not include new PED or study phases. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

(2) Increment 2. New phases of studies previously budgeted may be initiated in this increment. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

(3) Increment 3. This increment will include the activities needed to sustain (not fall behind/not accelerate) the study schedule included in the Project Management Plan (PMP). New starts and resumptions may be included. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

(4) Increment 4. This increment includes additional capability activities that can be supported by cost sharing sponsor and Corps resources. This increment can be viewed as enhancing (or advancing) the study schedule at a faster pace than shown in the PMP. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

b. **Construction (C):** There will be no new starts for single purpose water supply projects. Should a multipurpose project with water supply as one of those purpose, be placed under construction and/or should a modification or reallocation of storage in an existing project occur, all costs allocated to the water supply feature will be repaid by the local sponsor prior to or during the period of construction. Since there are no Federal funds involved, there will be no incremental construction funding levels for water supply.

c. **Operation & Maintenance (O&M).** (For the operation and maintenance of specific water supply facilities and for the development and renegotiation of water supply agreements.) New starts are not applicable to funding for the operation and maintenance of specific water supply facilities.

(1) Increment 1. This increment includes critical and cyclical routine activities such as those required by billings and collections of water supply agreements or expense related to specific water supply conduits. It is anticipated that most all water supply operation and

maintenance funding will occur in this increment. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

(2) Increment 2. This increment is for critical non-routine activities. Non-routine activities are those that must be accomplished to insure project safety, and critical maintenance actions that are required to keep the project operating and delivering benefits. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

(3) Increment 3. This increment includes operation and maintenance activities, both routine and non-routine, above the minimal, that are defined by the state of the practice and are needed to sustain the expected future benefits of the project. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

(4) Increment 4. Activities that have a high expected return on investment that enable greater levels of performance in future years should be include in this enhanced or capability increment. Increment must be performance based and integral with a study/project with high outputs and consistent with ranking.

**d. Operation and Maintenance for Water Supply Studies (O&M Studies)**

(1) Increment 1. This increment will include only the minimum continuing and new study activities with funding limited to be no more than was contained in the PY-1 budget. Do not include new study phases. Previously budgeted reallocation studies migrate to I after initial assessments (see Annex C).

(2) Increment 2. No O&M water supply studies fall under this increment.

(3) Increment 3. This increment will include the activities needed to sustain (not fall behind/not accelerate) the study schedule included in the PMP. New starts and resumptions may be included.

(4) Increment 4. This increment includes additional capability activities that can be supported by cost sharing sponsor and Corps resources. This increment can be viewed as enhancing (or advancing) the study schedule at a faster pace than shown in the PMP

**VIII-6. Rating and Ranking Criteria for FY 09 Budget Development.** I studies, at the reconnaissance or feasibility level or O&M funded initial assessments evaluating reallocation of storage space from other project purposes that will otherwise increase revenues to the Treasury will be given priority for budgeting purposes. As such, all budget requests for water supply studies must be accompanied by the following set of criteria: "anticipated cost of the study versus the anticipated capital costs to be recovered" and "degree of local support" (little), (some) or (strong).

**VIII-7. Civil Works Five Year Development Plan.** The purpose of this plan is to present an overview on how the funding for the Civil Works program over a five-year period will produce results that contribute to achievement of the strategic goals and objectives in the Civil Works Strategic Plan. See paragraph 8 (b) "Civil Works Five Year Development Plan". The FYDP for the Water Supply Program focuses on labor and associated costs involved in the development of new water supply agreements; costs required for existing water supply agreements such as renegotiations and for billings and collections including delinquencies, law suits and modifications; as well as the costs associated with the operation and maintenance of specific water supply features of the projects. Studies may be considered in accordance with the guidance of above paragraph VIII-5.

**VIII-8. Special Considerations or Special Rating Criteria.** The work category codes for water supply are described in Annex C. Phase codes are defined in Table 3 of the main EC. Districts will use P2 and the appropriate work category and phase codes to request funds for water supply activities for each project. These requests should be placed in the appropriate increment based on performance metrics. For joint activities on O&M multipurpose hydropower (Cat/Class 300) projects activities will be ranked in the Hydropower business line according to its criteria. All other joint activities – joint costs, including water supply related work on non-Cat/Class 300 projects will be included in the project's predominate business line. Additional instructions on Joint Activities – Joint Costs are contained in paragraph C-2.3 of Annex C.

**VIII-9. Water Supply Program Budget Ranking Criteria Matrix.** The data required for ranking the 09 budget requests is shown in Table VIII-2 (*spreadsheet*).



May 07 WTR  
spreadsheet.xls